

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Committee On Rev & Tax Analyst: Roger Lackey Bill Number: AB 2808

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 07-23-98

Attorney: Doug Bramhall

Sponsor:

SUBJECT: FTB, LAO, BOE & DOF Report To Legislature On Tax Provisions

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

☒ DEPARTMENT POSITION CHANGED TO Oppose.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED July 23, 1998 STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

This bill would provide that before every other regular session of the Legislature, the Legislative Analyst (LAO), in consultation with the Franchise Tax Board (FTB), the State Board of Equalization (BOE), and the Department of Finance (DOF), would report to the Legislature the effect of tax increases, reductions, exemptions, credits, deductions, exclusions, redistribution, special accounting treatments, special valuations, special rates, special methods of reporting relating to property tax, personal income tax, bank and corporation tax, and any other tax change whose effect is projected to increase or decrease state revenues by \$10 million on a full-year basis.

In addition, the FTB or BOE, prior to a hearing on a bill presented before the Assembly or Senate Revenue and Taxation Committee, would prepare an analysis for any bill that would increase, decrease, or redistribute any tax by more than \$10 million.

SUMMARY OF AMENDMENT

The July 23, 1998, amendment revised the timing of the report from the LAO from "before each regular session of the Legislature" to "before every other regular session of the Legislature." Also, the amendment would provide that for tax changes that increase or decrease state revenue by \$10 million, the \$10 million would be determined on a full-year basis rather than in the first year of implementation. This change also would apply to the reports submitted to the Senate and Assembly Revenue and Taxation Committees from the FTB.

In addition, the July 23, 1998, amendment revised the required contents of the LAO report. The revised report requirements are provided in Specific Findings below. The Board's position is also reflected.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input checked="" type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input type="checkbox"/> PENDING

Department/Legislative Director

Date

Johnnie Lou Rosas

8/13/98

Except for the discussion in this analysis, the department's analysis of AB 2808 as amended April 28, 1998, still applies.

SPECIFIC FINDINGS

This bill would provide that before every other regular session of the Legislature, the Legislative Analyst (LAO), in consultation with the Franchise Tax Board (FTB), would report to the Legislature the effect of tax increases, reductions, exemptions, credits, deductions, exclusions, redistributions, special accounting treatments, special valuations, special rates, special methods of reporting relating to personal income tax, bank and corporation tax and any other tax change whose effect is projected to increase or decrease state revenues by \$10 million on a full year basis.

The report would include the following:

- An analysis of each provision (exemption, credit, deduction etc.) that reduces, increases, or redistributes the amount of tax payable, with an estimate of the revenue loss for a three-year period, including additional years if needed to portray the full year impact, and a citation of the authority for the provision.
- Each provision's effect, on a full-year basis, on the distribution of the tax burden by income class, including the number of taxpayers within each income class affected by a specific bill and the average impact of the bill on taxpayers within each income class. The distribution impact for personal income taxpayers shall be based on adjusted gross income class, and for corporations the distribution impact shall be based on total gross receipts class.
- An assessment of the intended purpose of the provision, whether the provision is achieving that objective, and a recommendation, where appropriate, for retaining, eliminating, or amending the provision.

This bill would provide that if the LAO requests from a state agency information necessary to complete its report or analysis, the state agency would cooperate with the LAO and provide the requested information in a timely manner.

This bill would provide that the FTB or BOE, prior to a hearing on a bill presented before the Assembly or Senate Revenue and Taxation Committee, would prepare a written analysis for any bill that would increase, decrease, or redistribute any tax by more than \$10 million on a full-year basis. The written analysis would include the same information as provided above by the Legislative Analyst Office.

This bill would specify that the analysis provided by the FTB or the BOE would be available to the Legislature and the public.

Board Position

Oppose.

At its May 28, 1998, meeting, the Franchise Tax Board voted 2-0 to oppose this bill. The representative from the Department of Finance was absent.